

A panoramic view of the Chicago skyline at sunset. The sky is a clear, deep blue, transitioning to a warm orange and yellow glow near the horizon. The city's skyscrapers are silhouetted against the light, with some reflecting the golden light. The foreground shows a river and a bridge, with a red-tinted overlay across the lower half of the image.

DUFF & PHELPS

Protect, Restore and Maximize Value

Chicago Companies and Dow Jones Industrial Average Special Report

Fall 2020

Executive Summary

The **Chicago 30** (“CHI30”) represents the 30 largest public companies by market cap as of November 9, 2020, that are headquartered in the Chicagoland area.

CHI30 Summary

- The CHI30 price-weighted index **increased 2.6%** in the year-to-date (YTD) period through November 9, 2020 compared to the Dow Jones Industrial Average’s (DJIA) **gain of 2.2%**. Since our last report on September 17, 2020, the CHI30 has **gained 8.9%** compared to the DJIA’s **gain of 4.5%**.
- The CHI30 is more concentrated in industrials (**42.5%**) than the DJIA (**16.4%**), while the DJIA has more exposure to information technology (**21.1%**) than the CHI30 (**16.4%**).
- Since the beginning of the year, the DJIA “**Leaders**” averaged **gains of 52.1%**, while the CHI30 “**Leaders**” averaged **increases of only 35.9%**. Similarly, DJIA “**Laggards**” averaged a **decline of 37.2%**, compared to the CHI30 “**Laggards**”, who averaged a decline of **43.5%**.
- **57%** of the CHI30 constituents experienced a **decline** in Q3 revenue year-over-year (YoY) compared to only **52%** of the DJIA constituents. **18%** of the CHI30 constituents experienced a decline in Q3 revenue quarter-over-quarter (QoQ) compared to **16%** of the DJIA constituents.
- **61%** of the CHI30 constituents experienced a **decline** in margins for Q3 2020 compared to the same quarter of the prior year, while **68%** of the DJIA constituents saw margins **decline** over the same period. Only **18%** of the CHI30 constituents experienced a **decline** in margins for Q3 2020 compared to the previous quarter, while **44%** of the DJIA constituents saw margins **decline** over the same period.
- Despite performing worse than the DJIA on revenue metrics in Q3 2020, the CHI30 has performed slightly better on EBITDA margins, indicating the CHI30 constituents have been better at managing costs.

Executive Summary (Cont'd)

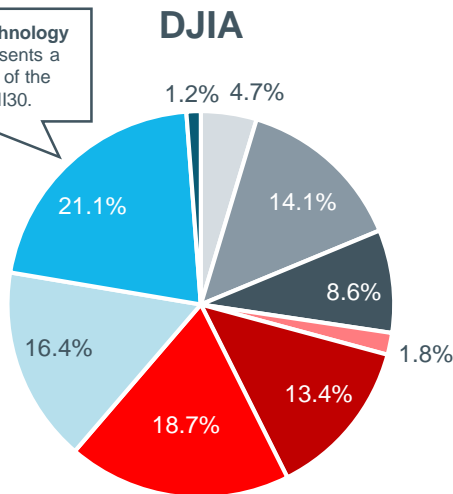
The CHI30 performed worse than the DJIA on Q2 + Q3 financial performance metrics, except more CHI30 companies beat consensus Q3 2020 revenue and EPS estimates.

	DJIA	CHI30
Stock Price Performance		
YTD index performance	▲ 2.2%	▲ 2.6%
Index performance since 3/23	▲ 56.8%	▲ 68.4%
Index performance since 9/17	▲ 4.5%	▲ 8.9%
Percentage of constituents with positive YTD stock price performance	63.3%	40.0%
Financial Performance		
Avg. Q3 2020 revenue change (YoY)	▼ 2.3%	▼ 3.3%
Avg. Q3 2020 EBITDA margin change (YoY)	▼ 5.3%	▼ 4.7%
Avg. Q3 2020 revenue change (QoQ)	▲ 15.5%	▲ 13.3%
Avg. Q3 2020 EBITDA margin change (QoQ)	▼ 0.8%	▲ 8.7%
Avg. Q2 + Q3 2020 revenue change (YoY)	▼ 5.8%	▼ 6.8%
Avg. Q2 + Q3 2020 EBITDA margin change (YoY)	▼ 7.5%	▼ 7.7%
Percentage of constituents that beat consensus Q3 2020 revenue estimates	52.0%	78.6%
Percentage of constituents that beat Q3 2020 EPS estimates	48.0%	64.3%
Percentage of constituents that saw an increase in net debt/BEV year-over-year	56.0%	35.7%
Percentage of constituents that increased dividends per share year-over-year	83.3%	56.7%
Percentage of constituents that do not currently provide guidance	56.7%	56.7%

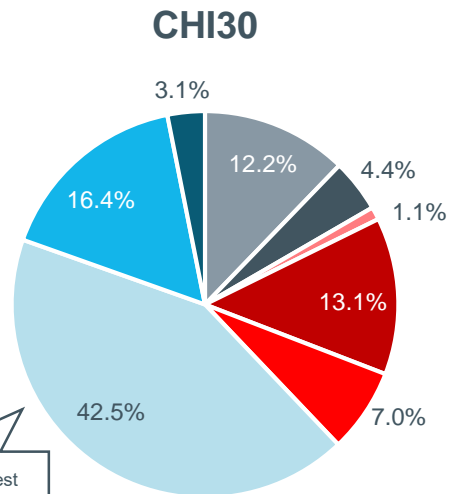
Composition by Industry Sector

The CHI30 is overweight in industrials and underweight in information technology and healthcare.

The Information Technology industry sector represents a much larger portion of the DJIA than the CHI30.



The list of Chicago's largest companies is dominated by the Industrial industry sector.



Industry Sector	DJIA	CHI30	Variance
Communication Services	4.7%	0.0%	-4.7%
Consumer Discretionary	14.1%	12.2%	-1.9%
Consumer Staples	8.6%	4.4%	-4.2%
Energy	1.8%	0.0%	-1.8%
Financials	13.4%	13.1%	-0.3%
Healthcare	18.7%	7.0%	-11.6%
Industrials	16.4%	42.5%	26.2%
Information Technology	21.1%	16.4%	-4.7%
Materials	1.2%	3.1%	1.9%
Utilities	0.0%	1.1%	1.1%

Constituents

The median market cap of the DJIA constituents is \$195 billion compared to \$25 billion of the CHI30 constituents. Boeing, Caterpillar, McDonald's and Walgreens Boots are included in both indices.

DJIA Constituents					CHI30 Constituents				
Company	Exchange	Ticker	Industry Sector	Market Cap (in millions)	Company	Exchange	Ticker	Industry Sector	Market Cap (in millions)
3M	NYSE	MMM	Industrials	\$94,270	Abbott Laboratories	NYSE	ABT	Health Care	\$193,879
American Express	NYSE	AXP	Financials	94,507	AbbVie	NYSE	ABBV	Health Care	167,932
Amgen	Nasdaq	AMGN	Health Care	136,810	Allstate	NYSE	ALL	Financials	28,549
Apple	Nasdaq	AAPL	Information Technology	1,977,650	Archer-Daniels-Midland	NYSE	ADM	Consumer Staples	27,424
Boeing*	NYSE	BA	Industrials	101,254	Arther J. Gallagher	NYSE	AJG	Financials	21,152
Caterpillar*	NYSE	CAT	Industrials	92,799	Baxter International	NYSE	BAX	Health Care	41,361
Chevron	NYSE	CVX	Energy	152,871	Boeing*	NYSE	BA	Industrials	101,254
Cisco Systems	Nasdaq	CSCO	Information Technology	161,243	Caterpillar*	NYSE	CAT	Industrials	92,799
Coca-Cola	NYSE	KO	Consumer Staples	225,916	CDW	Nasdaq	CDW	Information Technology	20,583
Dow	NYSE	DOW	Materials	38,660	CME Group	Nasdaq	CME	Financials	58,304
Goldman Sachs Group	NYSE	GS	Financials	77,110	Conagra Brands	NYSE	CAG	Consumer Staples	16,795
Home Depot	NYSE	HD	Consumer Discretionary	290,611	Deere & Company	NYSE	DE	Industrials	77,990
Honeywell	NYSE	HON	Industrials	138,225	Discover	NYSE	DFS	Financials	23,352
IBM	NYSE	IBM	Information Technology	102,944	Dover	NYSE	DOV	Industrials	17,252
Intel	Nasdaq	INTC	Information Technology	186,869	Exelon	Nasdaq	EXC	Utilities	42,262
Johnson & Johnson	NYSE	JNJ	Health Care	384,562	Fortune Brands	NYSE	FBHS	Industrials	11,123
JPMorgan Chase	NYSE	JPM	Financials	356,335	IDEX	NYSE	IEX	Industrials	14,218
McDonald's*	NYSE	MCD	Consumer Discretionary	158,873	Illinois Tool Works	NYSE	ITW	Industrials	67,701
Merck & Co.	NYSE	MRK	Health Care	203,668	LKQ	NYSE	LKQ	Consumer Discretionary	10,786
Microsoft	Nasdaq	MSFT	Information Technology	1,651,137	McDonald's*	NYSE	MCD	Consumer Discretionary	158,873
Nike	NYSE	NKE	Consumer Discretionary	202,429	Mondelez International	Nasdaq	MDLZ	Consumer Staples	79,975
Procter & Gamble	NYSE	PG	Consumer Staples	342,161	Motorola	NYSE	MSI	Information Technology	28,863
Salesforce	NYSE	CRM	Information Technology	235,945	Northern Trust	Nasdaq	NTRS	Financials	18,897
Travelers Companies	NYSE	TRV	Financials	34,014	Packaging Corp. of America	NYSE	PKG	Materials	11,939
UnitedHealth Group	NYSE	UNH	Health Care	332,087	TransUnion	NYSE	TRU	Industrials	18,164
Verizon	NYSE	VZ	Communication Services	247,624	Ulta Beauty	Nasdaq	ULTA	Consumer Discretionary	13,923
Visa	NYSE	V	Information Technology	451,915	United Airlines	Nasdaq	UAL	Industrials	12,024
Walgreens Boots*	Nasdaq	WBA	Consumer Staples	34,450	W.W. Grainger	NYSE	GWV	Industrials	20,835
Walmart	NYSE	WMT	Consumer Staples	406,757	Walgreens Boots*	Nasdaq	WBA	Consumer Staples	34,450
Walt Disney Company	NYSE	DIS	Communication Services	257,669	Zebra Technologies	Nasdaq	ZBRA	Information Technology	18,805
Mean				\$305,712					\$48,382
Median				\$194,649					\$25,388
High				\$1,977,650					\$193,879
Low				\$34,014					\$10,786

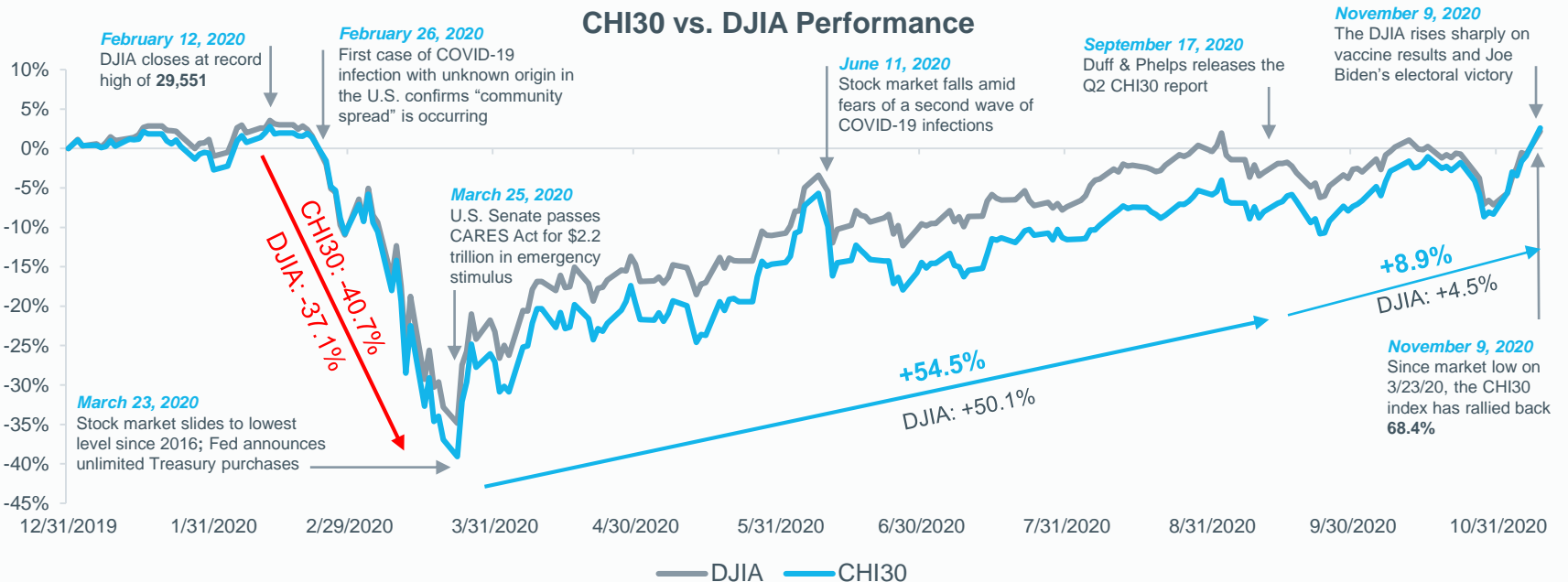
* Indicates that the company is a constituent of both the DJIA and the CHI30

CHI30 Recovery Outpaces DJIA

The CHI30 declined more than the DJIA at the onset of the pandemic, but its recovery has been greater and is now slightly outperforming the DJIA through November 9.

CHI30 vs. DJIA Performance Observations

- Historically, the CHI30 has generally tracked the DJIA. However, at the onset of market volatility in late February, the CHI30 had a steeper decline than the DJIA, falling 40.7% from February 12 to March 23.
- Since March 23, Chicago's recovery of 68.4% has outpaced the DJIA, more than enough to offset the initial larger decline. The CHI30 is up **2.6%** from the start of the year compared to the DJIA's **gain of 2.2%**.



Year-to-Date Stock Price Performance

The DJIA leaders have outperformed the CHI30 leaders, and the CHI30 laggards have performed worse than the DJIA laggards.

Stock Price Performance Observations

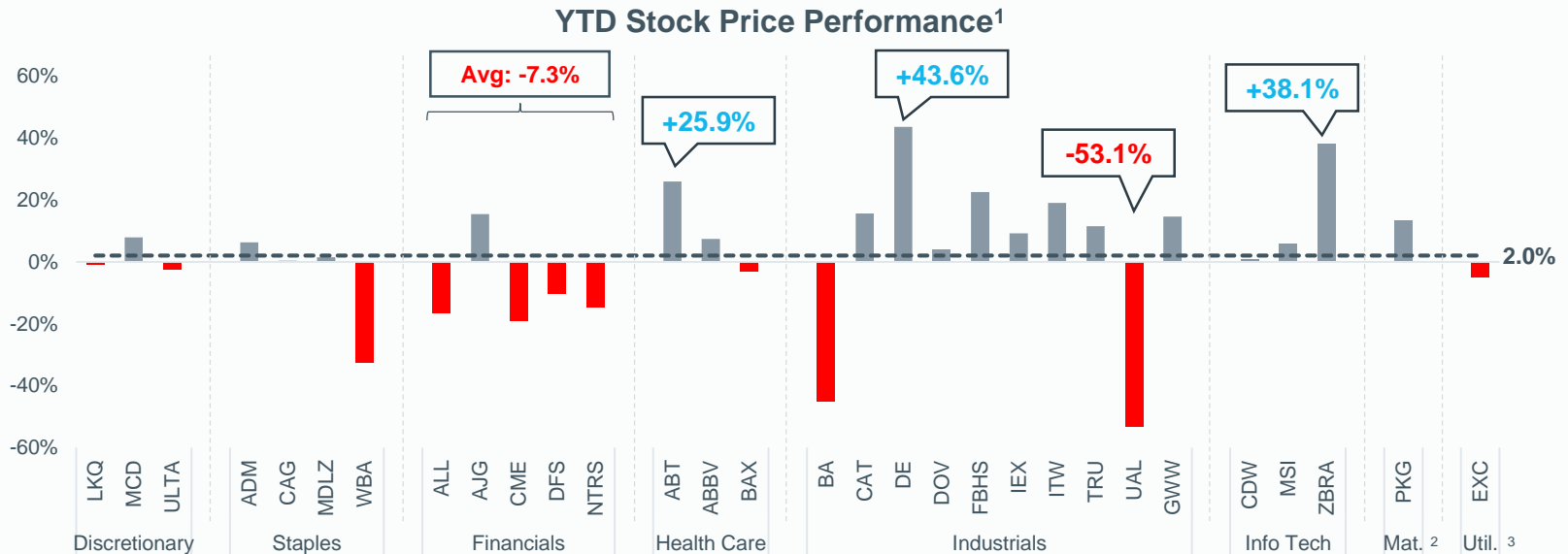
- **19 of the 30 (63%)** CHI30 constituents and **13 of the 30 (43%)** DJIA constituents experienced an increase in their stock price in the YTD period through November 9, 2020.
- Despite **negative** stock price performance in the YTD period for many of the CHI30 constituents, the index was buoyed by strong performances from **John Deere, Zebra Technologies and Abbott Laboratories**.
- While **Boeing (-44.9%)** and **Walgreens Boots (-32.5%)** weighed on the YTD index performance of both the CHI30 and the DJIA, the CHI30 lagged the DJIA in YTD performance due to the weak stock price performance of **United Airlines (-53.1%)**, coupled with limited exposure to the strong performance of large tech companies in the DJIA such as **Salesforce (+59.4%), Apple (+58.4%) and Microsoft (+38.5%)**.
- Since the beginning of the year, the DJIA “**Leaders**” averaged **gains of 52.1%**, while the CHI30 “**Leaders**” averaged **increases of only 35.9%**.

Company	Industry Sector	Stock Price on 11/09/20	% of 52-Week High	YTD Performance	Company	Industry Sector	Stock Price on 11/09/20	% of 52-Week High	YTD Performance
<u>CHI30 Leaders</u>					<u>DJIA Leaders</u>				
Deere & Company	Industrials	\$248.87	93.6%	▲ 43.6%	Salesforce	Information Technology	\$259.28	91.1%	▲ 59.4%
Zebra Technologies	Information Technology	\$352.71	97.3%	▲ 38.1%	Apple	Information Technology	\$116.32	84.3%	▲ 58.4%
Abbott Laboratories	Health Care	\$109.39	95.0%	▲ 25.9%	Microsoft	Information Technology	\$218.39	93.8%	▲ 38.5%
<u>CHI30 Laggards</u>					<u>DJIA Laggards</u>				
United Airlines	Industrials	\$41.32	44.0%	▼ 53.1%	Boeing	Industrials	\$179.36	47.8%	▼ 44.9%
Boeing	Industrials	\$179.36	47.8%	▼ 44.9%	Walgreens Boots	Energy	\$79.40	64.6%	▼ 34.1%
Walgreens Boots	Consumer Staples	\$39.79	62.9%	▼ 32.5%	Chevron	Consumer Staples	\$39.79	62.9%	▼ 32.5%

CHI30 Stock Price Performance

Stock Price Performance Observations

- **19 of the 30 (63%)** CHI30 constituents saw an increase in their stock price in the YTD period through November 9, 2020 compared to **13 of the 30 (43%)** DJIA constituents over the same period.
- With a strong price recovery since their lows in March, the CHI30 outperformed the DJIA in the YTD period with strong positive performances from **Abbott, John Deere and Zebra Technologies**, offsetting negative performances from **Walgreens Boots, Boeing and United Airlines**.



¹ YTD period through November 9, 2020

² Materials

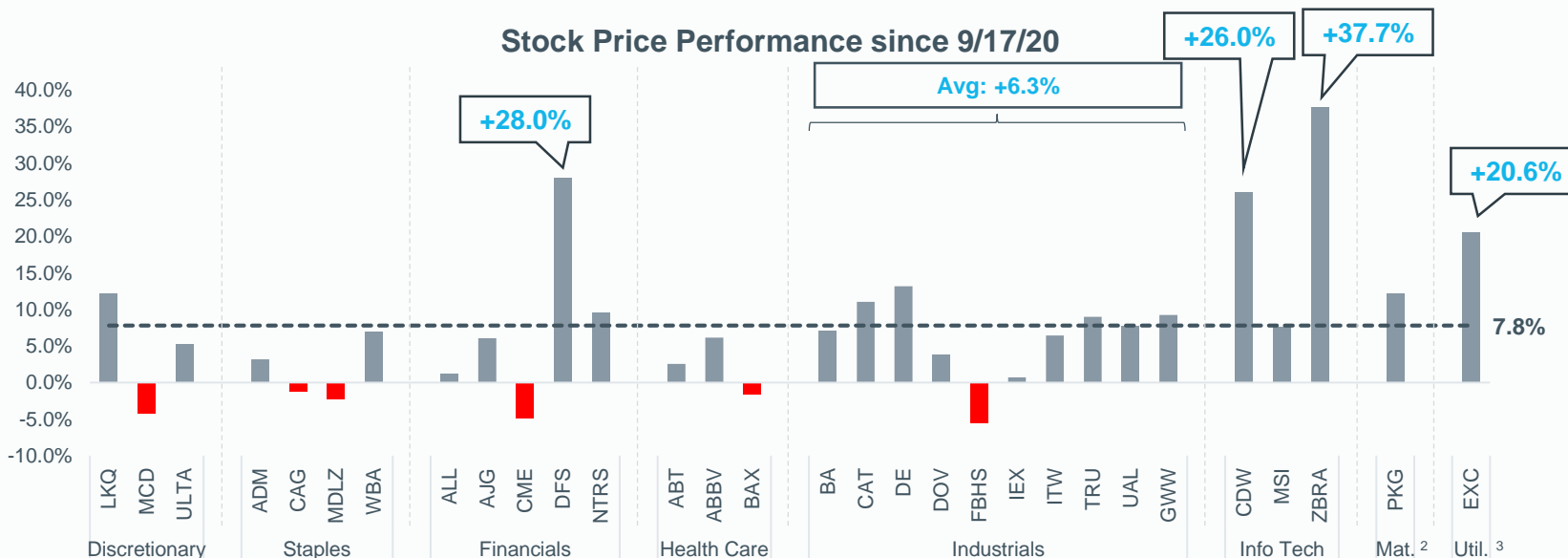
³ Utilities

Source: S&P Capital IQ

CHI30 Stock Price Performance since September 17, 2020

Stock Price Performance Observations

- **24 of the 30 (80%)** CHI30 constituents saw an increase in their stock price since September 17, 2020, compared to **20 of the 30 (66%)** DJIA constituents over the same period.
- Most CHI30 constituents saw an increase in stock price from September 17 to November 9, including particularly strong performances from **Discover, CDW, Zebra Technologies** and **Exelon**.



¹ YTD period through November 9, 2020

² Materials

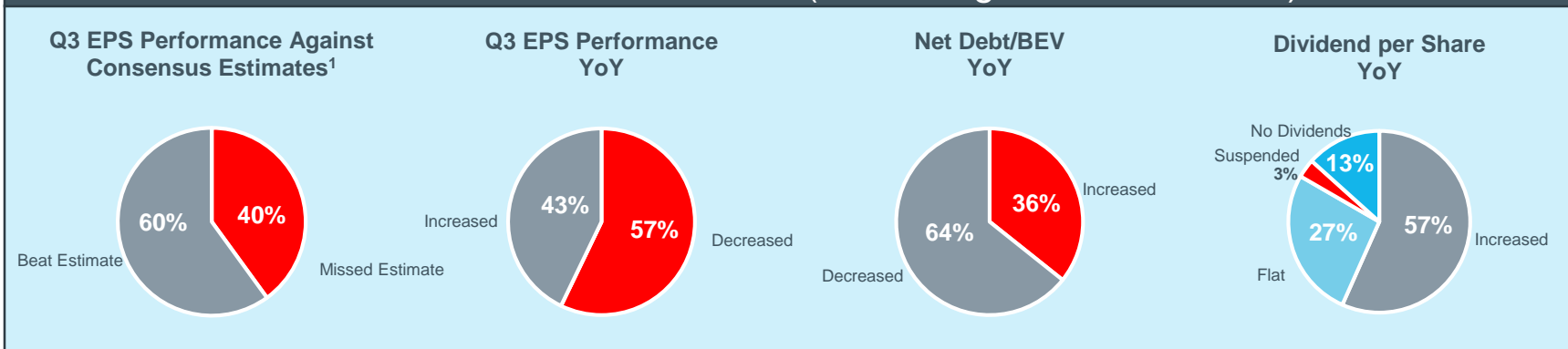
³ Utilities

Source: S&P Capital IQ

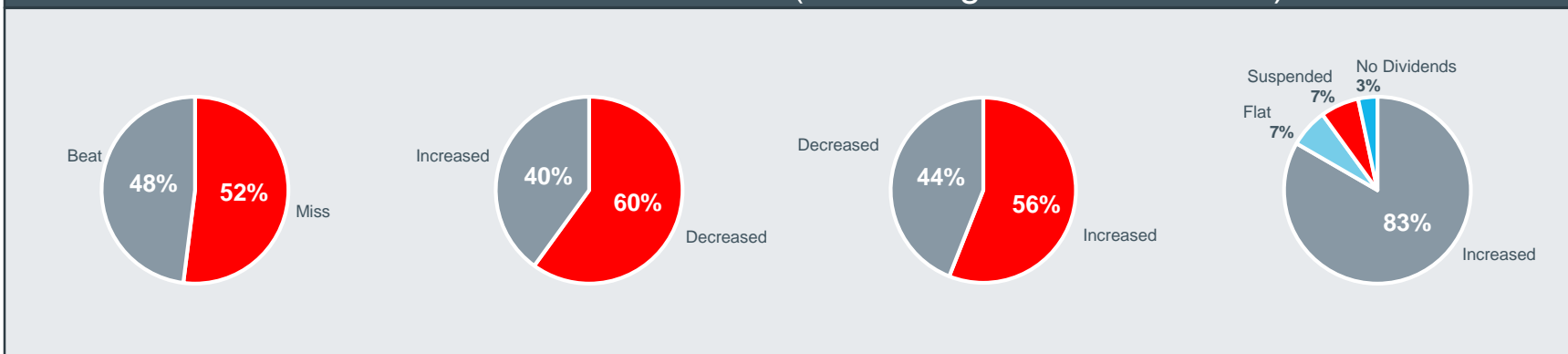
CHI30 vs. DJIA Q3 2020 Performance

The DJIA constituents have outperformed the CHI30 constituents on earnings and dividend metrics through Q3 2020.

CHI30 Financial Performance (Percentage of Constituents)



DJIA Financial Performance (Percentage of Constituents)

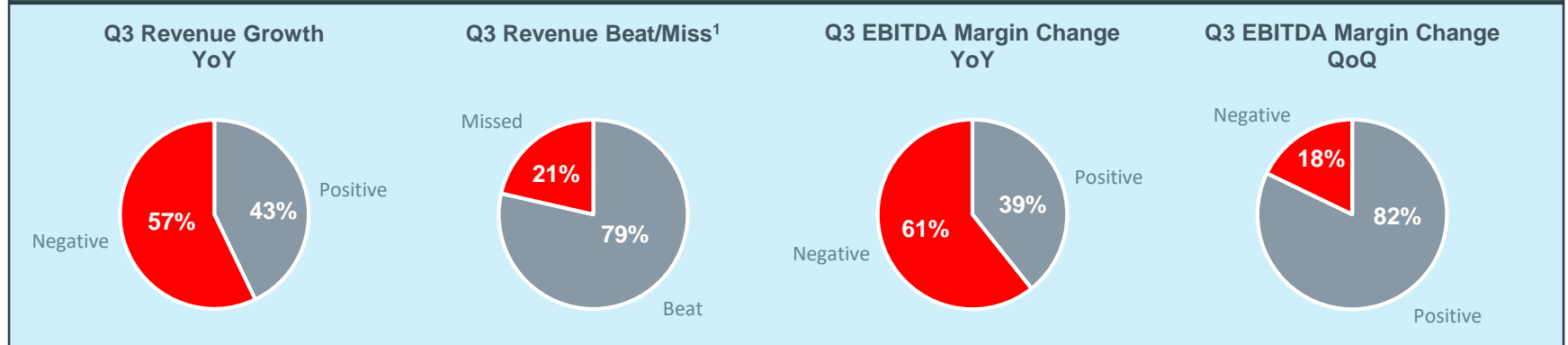


¹ Consensus estimates as of September 30, 2020
 BEV = Business Enterprise Value = Market Cap + Total Debt – Cash and Cash Equivalents
 EPS = Earnings per Share (GAAP basis)
 Net Debt = Total Debt – Cash and Cash Equivalents
 Source: S&P Capital IQ, Thomson and SEC filings

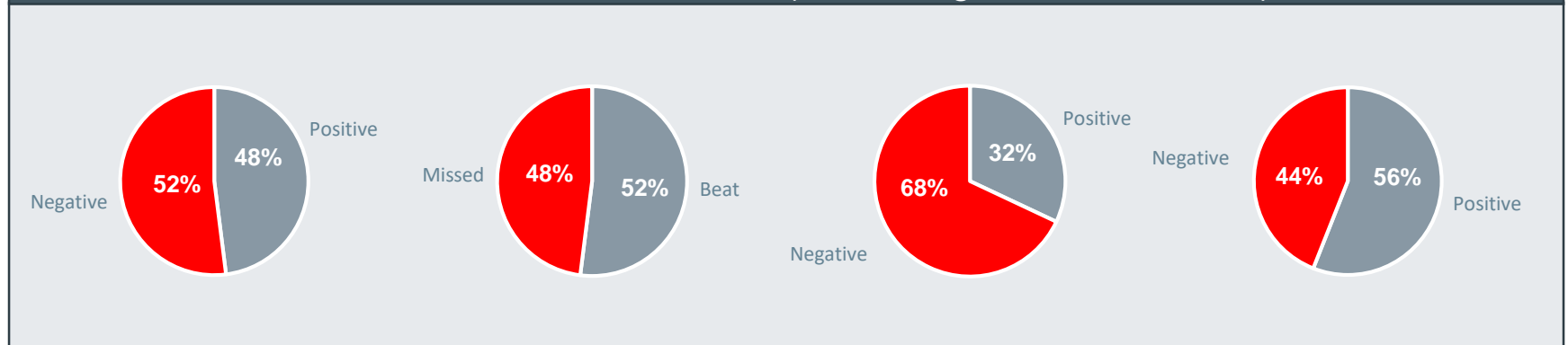
Q3 2020 Financial Performance

The DJIA constituents have outperformed the CHI30 constituents on all revenue and EBITDA metrics through Q3 2020.

CHI30 Financial Performance (Percentage of Constituents)



DJIA Financial Performance (Percentage of Constituents)



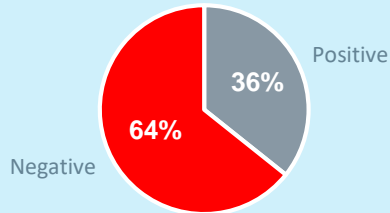
¹ Consensus estimates as of September 30, 2020
Source: S&P Capital IQ, Thomson and SEC filings

Q2 + Q3 2020 Financial Performance

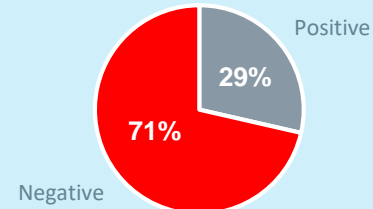
The DJIA constituents have outperformed the CHI30 constituents on EBITDA metrics for Q2 + Q3, but the DJIA and CHI30 had equal Q2 + Q3 revenue growth.

CHI30 Financial Performance (Percentage of Constituents)

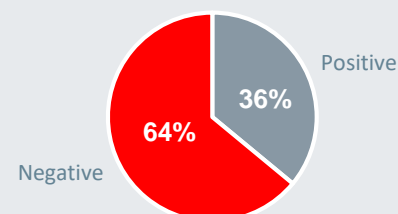
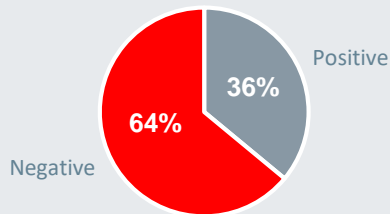
Q2 + Q3 Revenue Growth
YoY



Q2 + Q3 EBITDA Margin Change
YoY



DJIA Financial Performance (Percentage of Constituents)

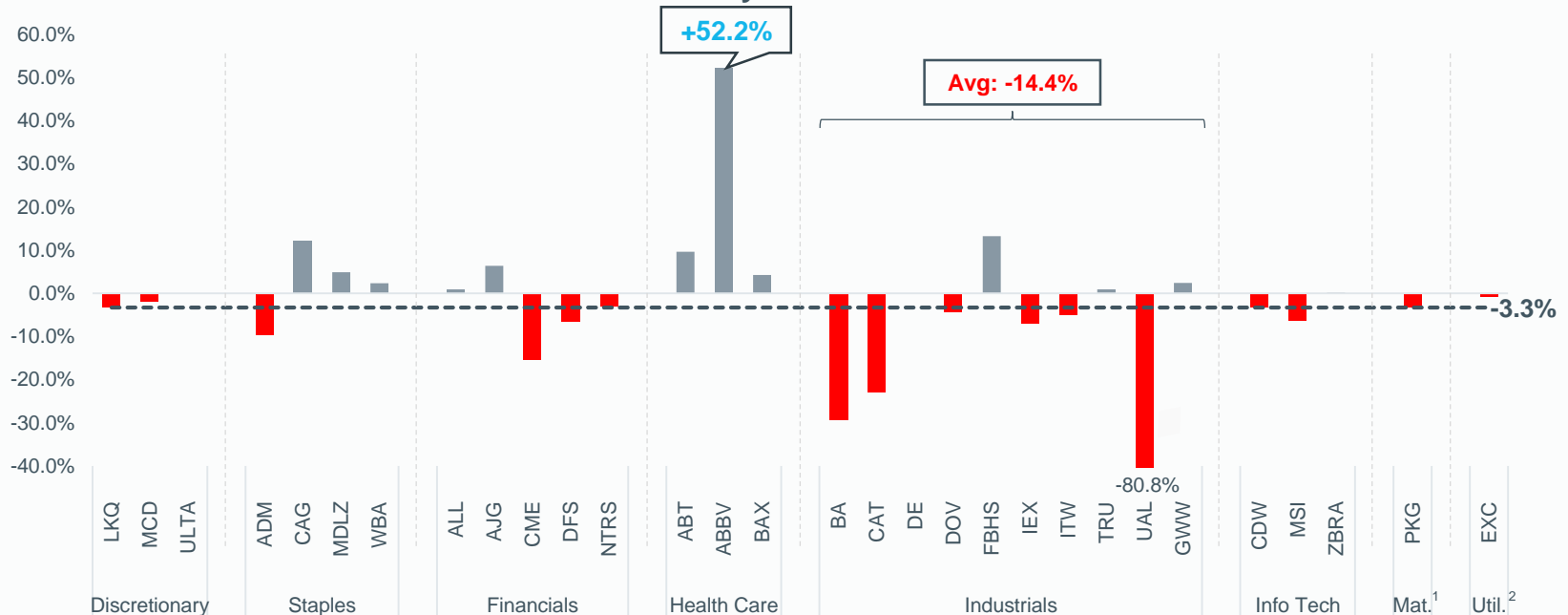


CHI30 Q3 2020 Revenue Growth

Revenue Observations

- **57%** of the CHI30 constituents experienced **revenue declines** in Q3 2020 compared to Q3 2019, while **52%** of the DJIA constituents experienced **revenue declines** over the same period.
- Due to the CHI30's outsized exposure to Industrial companies, the average Q3 2020 **revenue decline** for the CHI30 was **3.3%**, compared to the DJIA's **decline** of **2.3%**.

YoY Quarterly Revenue Growth



¹ Materials

² Utilities

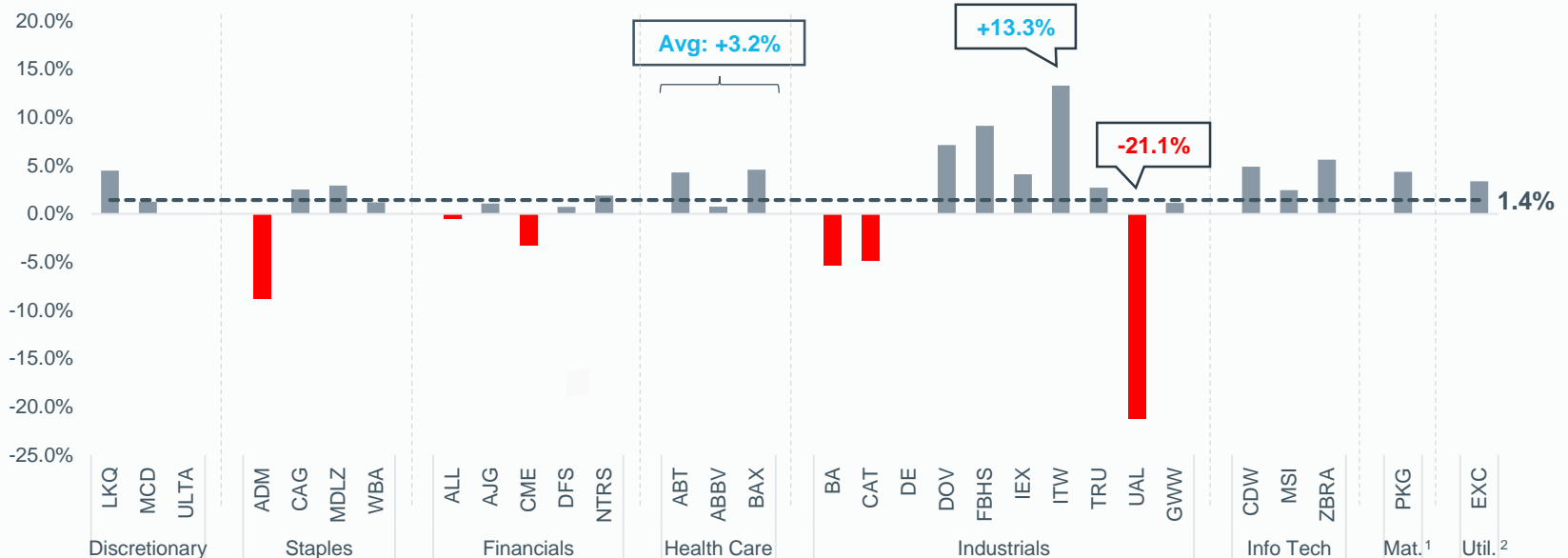
Source: S&P Capital IQ and SEC filings

CHI30 Q3 2020 Revenue Beat/Miss

Revenue Observations

- **22 of the 28 (79%)** CHI30 constituents **beat consensus revenue estimates¹** in Q3 2020 compared to **13 of the 25 (52%)** CHI30 constituents.
- Despite more CHI30 constituents experiencing revenue declines, more CHI30 constituents also outperformed revenue expectations, compared to DJIA constituents.

Q3 Revenue Performance Against Consensus Estimates



Note: Reflects pre-tax income margin for financial companies

¹ Materials

² Utilities

Source: S&P Capital IQ and SEC filings

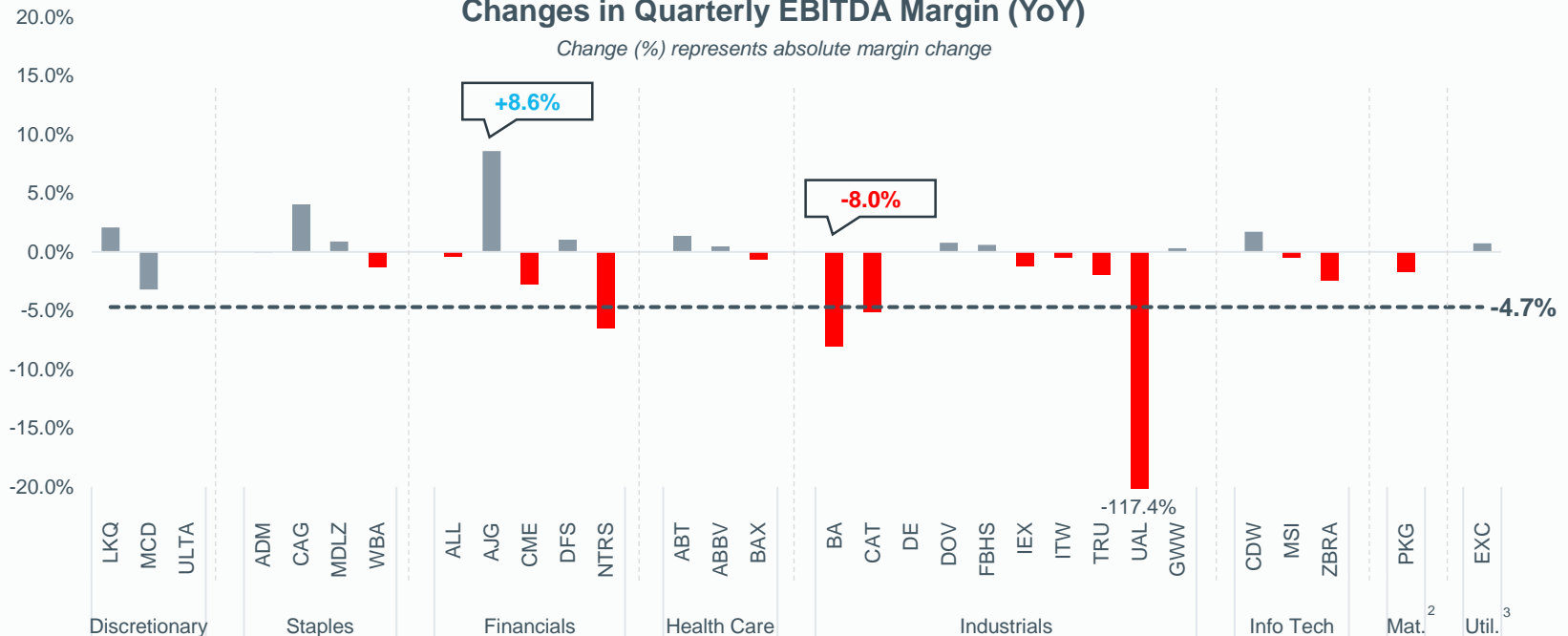
CHI30 Q3 2020 EBITDA % Margins

EBITDA Margin Observations

- **16 of the 28 (57%)** CHI30 constituents experienced a **decline in EBITDA margins** in Q3 2020 compared to Q3 2019, while **10 of the 25 (40%)** DJIA constituents experienced a decline over the same period.
- Despite the CHI30's outsized exposure to Industrial companies, the average Q3 2020 EBITDA margin **decline** for the CHI30 was only **4.7%**, compared to the DJIA's **decline of 5.3%**.

Changes in Quarterly EBITDA Margin (YoY)

Change (%) represents absolute margin change



¹ Consensus estimates as of 9/30/2020

² Materials

³ Utilities

Source: S&P Capital IQ, Thomson and SEC filings

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